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FM AMEMBASSY CARACAS  
TO RUEHC/SECSTATE WASHDC 3624  
INFO RUEHHH/OPEC COLLECTIVE  
RUEHAC/AMEMBASSY ASUNCION 1040  
RUEHBO/AMEMBASSY BOGOTA 8047  
RUEHBR/AMEMBASSY BRASILIA 6181  
RUEHLP/AMEMBASSY LA PAZ 2932  
RUEHPE/AMEMBASSY LIMA 1211  
RUEHMO/AMEMBASSY MOSCOW 0322  
RUEHSP/AMEMBASSY PORT OF SPAIN 3760  
RUEHQT/AMEMBASSY QUITO 3025  
RUEHSG/AMEMBASSY SANTIAGO 4155  
RUEHDG/AMEMBASSY SANTO DOMINGO 0683  
RHEHNSC/NSC WASHDC  
RHEHAAA/WHITEHOUSE WASHDC  
RHEBAAA/DEPT OF ENERGY  
RUCPDO/DEPT OF COMMERCE  
RUEATRS/DEPT OF TREASURY  
RUMIAAA/HQ USSOUTHCOM MIAMI FL

C O N F I D E N T I A L SECTION 01 OF 02 CARACAS 001130

SIPDIS

ENERGY FOR ALOCKWOOD AND LEINSTEIN, DOE/EIA FOR MCLINE  
HQ SOUTHCOM ALSO FOR POLAD  
TREASURY FOR MKACZMAREK  
COMMERCE FOR 4332/MAC/WH/JLAO  
NSC FOR DRESTREPO AND LROSSELLO

E.O. 12958: DECL: 08/26/2019  
TAGS: [EPET](#) [EINV](#) [ENRG](#) [ECON](#) [CU](#) [VE](#)  
SUBJECT: VENEZUELA: DECREASED PETROLEUM SECTOR ACTIVITY  
LEVELS

REF: A. (A) CARACAS 1057  
[1](#)B. (B) CARACAS 1056

Classified By: Economic Counselor Darnall Steuart, for reasons  
1.4 (b) and (d).

[1](#)1. (C) SUMMARY. With the exception of Weatherford (which is aggressively seeking to expand its market share), international oil service companies continue to reduce their exposure, to decrease staffing levels, and to move idle equipment out of Venezuela. The Venezuelan rig count provides a clear indicator of the activity level in the oil sector. END SUMMARY.

#### Service Companies Continue Tightening Belts

[1](#)5. (C) Mauricio Moreno (strictly protect throughout) BakerHughes (BHI) Venezuela Sales Manager informed PetAtt on the status of reduction in work force (RIF) for the major oil service companies. BHI has dismissed 200 employees (out of a goal of 760 RIFs and an original work force of 1,014). Halliburton has released 400 employees, but plans to fire a total of 700 (50% of its original work force). Schlumberger has cut 459 positions (from 2,728 to 2,269) and reduced its expatriate count from 67 to 37. According to Moreno, Weatherford on the other hand, does not plan to release any staff, but instead has increased salaries by 25% and improved some worker benefits.

[1](#)6. (C) In addition to reducing its employment totals, Moreno noted that BHI is relocating idle equipment out of Venezuela and attempting to protect strategic projects. Moreno added that Halliburton is declining new contracts by letter or by bidding excessively high prices. It is also moving idle assets out of Venezuela. A Halliburton official reportedly told Moreno that the GBRV has assured Halliburton that its net investment of about \$265 million in Venezuela is not subject to nationalization under recent legislation. Moreno

added that Schlumberger has suspended all manufacturing in Venezuela and put its former Camco plant located in Maracaibo up for sale. Weatherford, however, is seeking to increase market share by expanding into areas vacated by other companies. It agreed to install drill equipment on a barge on Lake Maracaibo that was newly acquired by PDVSA through expropriation. Moreno said Weatherford has also signed an MOU with PDVSA to form a joint venture to manufacture locally electrical submersible pumps (ESP) in alliance with Borets, a Russian oil equipment manufacturer.

#### Decreased Drilling and Activity Levels

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17. (C) Moreno provided background details to BHI's rig count. According to PDVSA and individual company plans, there should be 98 drill rigs and 55 work over rigs operating in Venezuela, but in reality there are only 71 drill rigs and 43 work over rigs in the field. Many of the deployed rigs, however, are not operating. Specific rigs that are drilling or maintaining wells include:

##### Drill rigs:

PDVSA Gas Anaco: five total; GW-68, 57, 58, 106 and FCO-39  
PDVSA Morichal: one rig; GW-74  
PDVSA San Tome: five rigs; GW-70, 180, 185, PDV-06 and EV-34  
PetroPiar: one rig; WDI-738  
PetroCedeno: one rig; Evertson-4  
PDVSA North: five rigs: HP-127, 128, 150, 174 and Petrex 5589.  
PetroVenBras: one rig; WTF-719  
PetroMonagas: one rig; CPP-01

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Boqueron: one rig; HP113  
PDVSA Lake: two rigs; AJS-102 and EDV-24  
PetroCumarebo: one rig; SAI-421  
PetroCabimas: one rig; IDEAL-45  
Perla: one rig; MAE-41

##### Workover rigs:

PDVSA San Tome: 3 rigs; AKERE-354, EDV-23, and GW-186  
PetroSino: one rig; EV-06  
PetroDelta: one rig; H-20  
PetroSinovensa: one rig; Wilson-450  
PDVSA Gas Anaco: four rigs; HWC-117, GW-194 and 32, and RWS-102  
PDVSA North: one rig: Superior Snubbing  
PDVSA: one rig: FM-110

18. (C) Alvaro Perez (strictly protect throughout), a board member and treasurer of the Petroleum Chamber, told PetAtt that his oil equipment import company normally prepared ten to fifteen bids per day in response to public offerings by PDVSA. Due to the decreased activity levels, however, his company is only preparing on average four bid packets per week. Due to the lengthy process required by PDVSA to comply with the Law on Public Bids and Contracts, Perez does not expect any major new offerings to be made or signed in 2009. He believes that, in the final quarter, PDVSA will attempt to spend its remaining budget, but will not be able to sign any significant new contracts before closing out the year. He shared that the activity levels are so low that his company will enter 2010 with no forward contracts on its books. Perez confirmed that if PDVSA had any significant drilling activity going on, his company would be busier than it is now, competing for contracts to supply drill operations.

19. (C) COMMENT: Current activity levels indicate PDVSA has significantly reduced operating expenses, but media reports indicate that its work force has grown to 100,000 (up from 40,000 at the time of the 2002 oil strike). Decreased activity levels will lower PDVSA's operating expenses and slow the accumulation of additional debt to service companies, but it also indicates a likely decrease in crude oil production. The possible indefinite delay of the Faja heavy oil round and a significant reduction in drill operations indicates that 2010 could be a more difficult year

as companies struggle to remain open without work and Venezuelan crude oil production decreases due to lack of maintenance and new drilling. Weatherford's aggressive strategy appears to be the exception that proves the rule here: the private sector is preparing for difficult times.  
END COMMENT.  
DUDDY